

# Letter of Transmittal

**October 21, 2026**

**To:** New Hanover Township Board of Supervisors

## **Introduction**

I am pleased to present the proposed 2026 Budget for your review and consideration. This document is structured into three key sections:

### **Letter of Transmittal (Budget Message)**

This letter provides an overview of the budget in a narrative format, offering insights into significant trends, key factors influencing the budget, and areas of financial importance. It aims to guide the Board of Supervisors, township staff, and residents through the budgetary process by highlighting programmatic and service-related priorities, cash flow, and revenue-expenditure projections.

### **Governmental, Special Revenue, Capital Project, Enterprise, and Fiduciary Fund Budgets**

The 2026 Budget proposal details 15 distinct funds, each outlining anticipated revenues and planned expenditures for the year. The historical data includes a three-year overview of actual (audited) revenues and expenditures, alongside estimated year-end figures for the current year. These figures help identify trends, while beginning and ending fund balances provide an understanding of the Township's cash position. A summary of the General Fund, highlighting its revenue and expenditure categories, offers a clear view of the Township's largest operating budget. This is followed by an aggregated summary of all funds, providing a broad financial picture of the Township.

### **Supporting Data (Budget Schedules)**

The budget schedules offer additional granularity for individual line items across all operating budgets. These details offer the Board and administrative staff a clearer understanding of specific budget allocations, with an alphabetical index included where supporting data is available. This transparency aids in making informed decisions regarding service delivery, as well as in considering potential cost-saving measures or revenue adjustments.

The proposed budget is the result of a comprehensive analysis, considering revenue and expenditure trends from prior years, careful review of individual budget items, and the current economic landscape. We have focused on allocating resources efficiently to maintain the high level of service residents expect, while also investing in necessary capital improvements.

This format is designed to provide both high-level and detailed perspectives on Township finances, facilitating a thorough understanding of our fiscal health and strategic priorities

## **The Budget Format**

The budget is presented in a line-item format consistent with the Pennsylvania Chart of Accounts, as prescribed by the Department of Community and Economic Development (DCED). This standardized structure ensures uniformity in account numbers and titles across all departments and operating funds, promoting clarity and accuracy in financial reporting. It streamlines the review of monthly financial statements and strengthens the ability of administrators and department heads to identify and analyze budget variances. Collectively, these measures provide a transparent view of both individual revenue and expenditure lines and the Township's overall financial position, supporting informed decision-making and sound fiscal management.

The proposed budget also continues the practice of maintaining separate operating and capital funds. This distinction allows for a clearer understanding of costs related to daily government operations versus long-term capital projects, giving the Board and residents a straightforward view of how resources are allocated. Separating these funds also prevents one-time capital expenditures from distorting operating budget trends, resulting in a more accurate picture of ongoing financial performance.

The **Governmental Funds** include:

- **General Fund:** This fund covers the core governmental operations. Within the General Fund, the Result from Operations (on page 3) reflects the balance between annual revenues and expenditures before considering interfund transfers for capital projects or other operational allocations.
- **Special Revenue Funds:** Address fire and rescue services (Fire Protection Fund), open space preservation (Open Space Fund), emergency medical services (Emergency Medical Services Fund), transportation improvements (Transportation Impact Fund), debt (Debt Service Fund), parks and recreation services (Recreation Fund), and state highway aid allocations (Liquid Fuels Fund).

**Capital Project Funds** are categorized as follows:

- **Capital Reserve Fund:** For general capital purposes, supported by interfund transfers and revenue dedicated to capital projects.
- **Road Equipment Capital Fund:** Funded through dedicated millage for road equipment purchases.
- **Recreation Capital Fund:** Used for parks and recreation initiatives, financed by grants, impact fees, and interfund transfers.

**Enterprise Funds** cover sewer services, with revenues based on rates established by the New Hanover Township Authority Board (Sewer Operating Fund and Sewer Capital Fund). **Fiduciary Funds** account for pension funds, including the Police Pension Fund and the Non-Uniformed Pension Fund.

## **Budget Highlights**

Here are key highlights of the proposed 2026 Budget:

*There is an increase in the Local Services Tax, two new dedicated millage funds, and a shift in millage to strengthen support for Fire Protection.*

For 19 consecutive years, the Township has maintained a stable tax rate, even providing a 5% reduction in 2019. Those decisions reflect a long history of fiscal responsibility and smart financial management. However, with operating reserves projected to dip below the 16% minimum recommended by the Government Finance Officers Association (GFOA), I am recommending modest adjustments to ensure the Township remains on solid financial footing.

**Local Services Tax:** The proposed budget includes an increase in the Local Services Tax from \$10 to \$52 annually for individuals employed within the Township. This tax is paid only by those who work in the Township, not residents unless they are also employed here, and will continue to help offset the costs of maintaining police protection and other essential public safety services. The adjustment ensures that the responsibility for funding these critical services is shared more equitably between property owners and those who benefit from working in and using the Township's roads, facilities, and emergency response resources.

**Debt Service Fund:** The General Fund has carried a significant share of the 2021 Municipal Building and Police Department Renovation Project – first using about \$2.2 million in operating reserves, followed by the first four years of debt payments. To complete the final eight years, the proposed 2026 Budget establishes a Debt Service Fund, supported by 0.430 mills, dedicated solely to repaying that loan. This fund is temporary by design and will sunset once the debt is paid in full. At that time, a future Board may choose to reallocate the millage, fund other priorities, or provide direct tax relief. By using reserves to pay debt early and securing a favorable interest rate, the Township saved residents both in long-term tax exposure and in avoided financing costs.

**Emergency Medical Services Fund:** For the past two years, the General Fund has provided \$100,000 annually to support the Township's four primary ambulance providers. To establish a stable, long-term funding source, I am proposing a dedicated Emergency Medical Services Fund with a corresponding millage of 0.135 mills. This will continue the same level of support in 2026, while ensuring sustainable funding for emergency medical providers in future years as community needs evolve.

**Fire Protection Fund:** The proposed budget also increases the Fire Protection Fund millage to further strengthen local fire operations and equipment funding. This adjustment is balanced by a corresponding reduction in the Recreation Fund millage, keeping the overall tax impact as modest as possible while still meeting critical public safety priorities.

At the proposed combined levy of 2.152 mills, a property assessed at the Township average of \$151,691 would pay approximately \$326 per year, or about \$27 per month for all Township services. This represents an increase of roughly \$7 per month, or \$84 annually, over the current 1.587 millage rate.

*There are no new staff positions in the proposed budget.*

Current staffing levels are sufficient to maintain Township services, and the proposed 2026 Budget does not include any new positions or staff reductions. Additional staffing will only be considered if the Board introduces new programs or services. In the meantime, adjustments such as filling vacancies or reassigning duties among existing employees may be made as needed to ensure efficient operations.

*The proposed budget maintains municipal services at current levels.*

The proposed budget maintains the high level of municipal services residents expect, while supporting stability and efficiency across all departments. This includes police protection, road maintenance, recreation programs, park upkeep, and sanitary sewer operations. The budget also provides for debt service on outstanding loans and funds essential infrastructure improvements and capital equipment purchases.

*Capital appropriations maintain infrastructure and equipment.*

Capital appropriations are dedicated to maintaining and upgrading critical infrastructure and Township equipment. The Management Team annually updates the 10-year Capital Improvement Plan, which is included as Schedule H of the budget. This plan guides the proposed capital expenditures for 2026.

**Capital Reserve Fund**

The proposed capital appropriations from the Capital Reserve Fund include several key infrastructure projects and equipment investments:

- **Deep Creek Road Culvert:** Construction and inspection costs to replace the culvert between Erb Road and Schenkler Road.
- **Municipal Building Storage:** Installation of a high-density shelving system for zoning and building files. This expands storage for parcel files and allows the Township to sell outdated file cabinets currently taking up office space.
- **Conceptual Basin Retrofit Program:** Seed funding to help homeowners retrofit their basins to meet current stormwater management standards.
- **Police Department Fleet Vehicle:** One replacement vehicle. *(The Township submitted a Local Share Account grant application in 2024 for three police vehicles; award announcements are expected this fall. If approved, the grant would cover these vehicle purchases, removing the need for funding from the Capital Reserve Fund in 2026, 2027, and 2028.)*

## Recreation Capital Fund

Proposed appropriations from the Recreation Capital Fund focus on upgrades to key recreational facilities:

- **Swamp Creek Park:** Install a new 3-bay swing set, add a pavilion with picnic tables, and place additional benches throughout the park.
- **Community Park:** Add a 2–5 age group play set and musical equipment and replace an existing climber with a tilted rock climber.

*The Township submitted a Pottstown Regional Community Foundation grant application in 2025, with award announcements expected next spring. If approved, the grant would cover approximately half the cost of these projects.*

## Road Equipment Capital Fund

Planned investments focus on improving operational efficiency and addressing long-term maintenance needs:

- **Pickup Truck Replacement:** Replace the current 16-year-old truck, which serves as the roadside spraying vehicle and is used for service and snowplowing. The existing truck has rust issues on the body and frame and is experiencing wiring problems.
- **Large Equipment Trailer Replacement:** Acquire a new trailer with increased capacity and a steeper incline to improve safety when loading and unloading equipment. The current 12-year-old trailer has brake issues and challenges safely handling larger equipment.

## Sewer Capital Fund

Capital appropriations will address critical infrastructure and operational upgrades:

- **Building Painting Project (Year 2 of 4):** Paint the top floor walls and apply epoxy coating to the floors; basement walls will be painted, but floors will remain concrete due to water exposure.
- **Swamp Creek Pump Station Bypass Connection:** Complete a bypass to prevent system backups during planned or unplanned pump outages. The bypass allows continuous flow, protecting public health and the environment by preventing untreated wastewater spills and contamination of nearby land or water. This ensures crews can safely perform maintenance or repairs without shutting down the entire system. *(The Authority submitted a Local Share Account grant application in 2024, with award announcements expected this fall. If approved, the grant would cover this project, removing the need for funding from the Capital Reserve Fund.)*
- **Shop Jib Crane:** Purchase a crane to improve material handling in confined areas. This allows workers to lift and move heavy items safely and efficiently without relying on a forklift, particularly in tight spaces.

## Open Space Fund

Key appropriations focus on land preservation, passive recreation, and trail development:

- **342 Moyer Road Meadows and Trail Project:** Design costs for an integrated meadows and trail system. *The Township applied for \$250,000 through the DCED Greenways, Trails & Recreation Program, with award announcements expected in early 2026. The appropriation in the 2026 Budget reflects the full cost if no grant funding is secured.*
- **Wassmer Tract Trail Project (Phase 1):** Funding for permitting and construction of the first phase of the project. *To date, the Township has applied for \$500,000 in grant funding: \$250,000 through the Montco 2040 Implementation Grant Program (awarded) and \$250,000 through the Department of Conservation & Natural Resources (DCNR) (award announcements expected this fall). The appropriation in the 2026 Budget reflects the full cost if no further grant funding is secured.*

## Other Funds

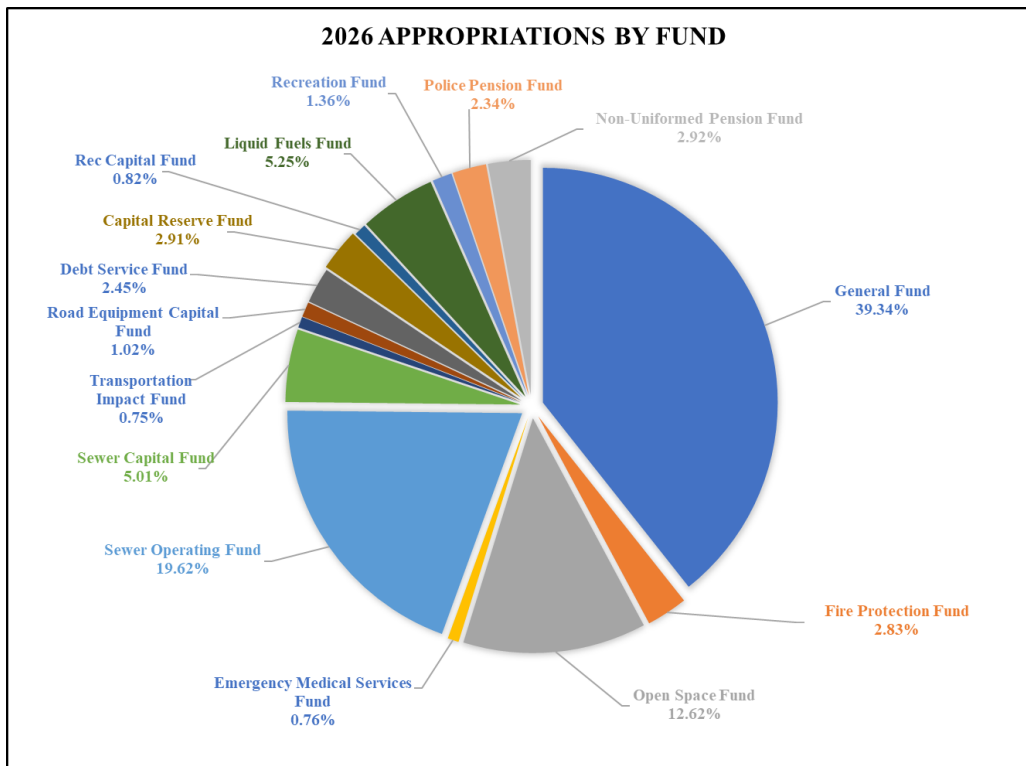
Additional appropriations through the Liquid Fuels Fund and Transportation Impact Fund are included to maintain and enhance Township infrastructure:

- The **Liquid Fuels Fund** will be used to resurface or treat 2.75 miles of Township roads; since 2016, nearly 80 miles of roads have been paved, effectively completing the entire system in half the expected life cycle.
- The **Transportation Impact Fund** will be used to begin design and grant writing services for a long-term traffic improvement project, expected to take at least four years. Planned improvements include installing separate left-turn lanes with at least 75 feet of storage in both directions along Swamp Pike at New Hanover Square Road, adding an eastbound left-turn lane at Wagner Road aligned with the westbound lane, and restriping the Swamp Pike Bridge to accommodate the new lanes along with 5-foot-wide pedestrian-accessible shoulders.

## **Budget Overview**

The proposed 2026 Budget includes 15 distinct funds: 1 Governmental Fund, 7 Special Revenue Funds, 3 Capital Project Funds, 2 Enterprise Funds, and 2 Trust Funds. These funds act as financial channels, designated for specific services, through which revenues and expenditures are allocated. Each fund outlines the beginning balances, projected revenues, proposed expenditures, and ending balances for the new fiscal year, offering a clear picture of the costs associated with each unique government function.

The **General Fund** is the Township's largest operating fund, supporting core local government services such as police protection, planning and zoning, general administration, finance, legal and engineering services, tax collection, and public works maintenance. While General Fund appropriations are flexible and can be used for any legal expenditure, special-purpose tax levies, such as those for fire protection, road equipment, recreation, and open space preservation, are restricted for use solely on those specific purposes.



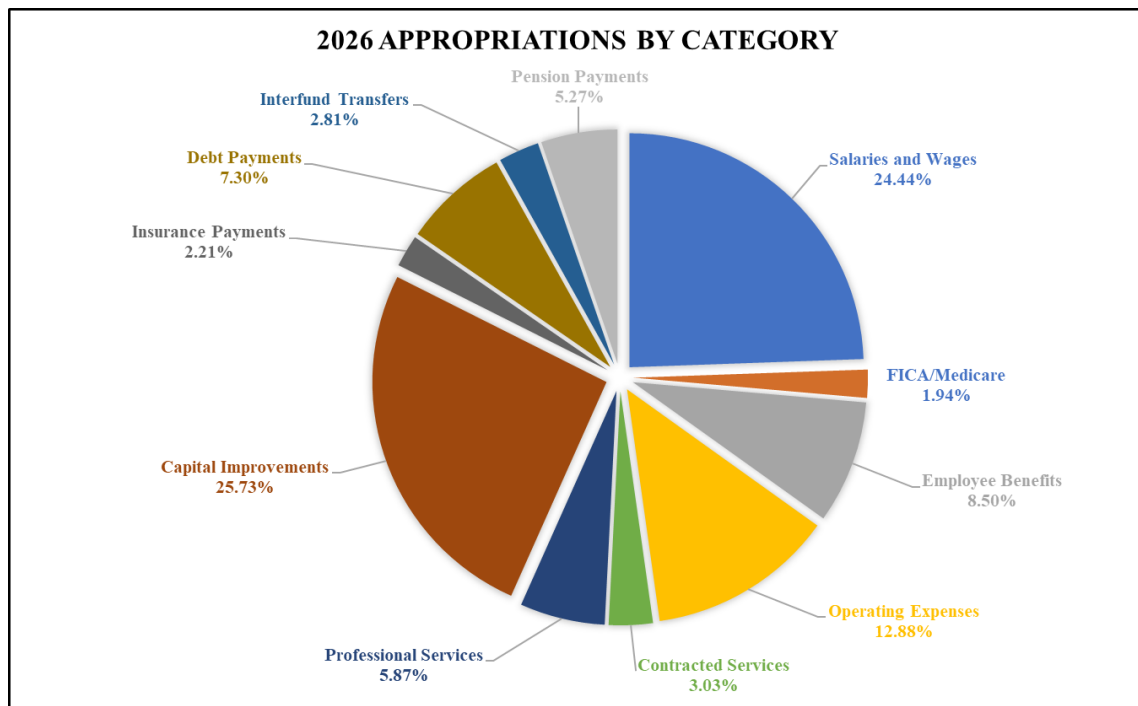
**In total, appropriations across all funds in the proposed 2026 Budget amount to approximately \$13.4 million.**

- **General Fund** appropriations: \$5.26 million
- **Special Revenue Funds** appropriations:
  - o Fire Protection Fund: \$379,000

- Open Space Fund: \$1.68 million
- Transportation Impact Fund: \$100,000
- Recreation Fund: \$181,500
- Liquid Fuels Fund: \$703,000
- **Capital Project Funds** appropriations: \$637,000
- **Enterprise Funds** appropriations:
  - Sewer Operating Fund: \$2.62 million
  - Sewer Capital Fund: \$670,000
- **Pension Funds** appropriations: \$703,000

The **General Fund**, **Sewer Operating Fund**, and **Recreation Fund** together account for personnel, fringe benefits, insurance, routine maintenance, and operational costs. Personnel costs are the largest single expense across the operating budgets, representing 40% of total appropriations. Operating expenses, contracted services, professional services, and insurance contribute an additional 24% to the budget. As is typical in local government, personnel and service costs represent the largest portions of expenditures, meaning significant cost reductions could only be achieved through staffing cuts that would directly impact service delivery.

The following chart illustrates the allocation of total appropriations across all funds by category.



Here is a detailed narrative summary of each fund's financial position, including discussions on projected revenues and proposed expenditures for 2026.

### ***General Fund (Fund 01)***

#### **Revenues**

The General Fund serves as the operating budget for general municipal functions, covering expenditures for administration, finance, legal and engineering services, police protection, code enforcement, zoning, planning, technology, highway maintenance, and fleet operations. It also supports the work of various appointed boards and commissions.

*Revenue projections for the General Fund are based on tax collection trends, prior year history, contract guarantees, state-shared revenue, and broader economic indicators.*

The largest single source of revenue is the 1% earned income tax, split equally with the Boyertown School District. This is expected to generate approximately \$3.3 million in 2026, accounting for roughly 63% of the General Fund's total revenue. Real estate taxes are projected to contribute about \$750,000, or 14% of total revenue.

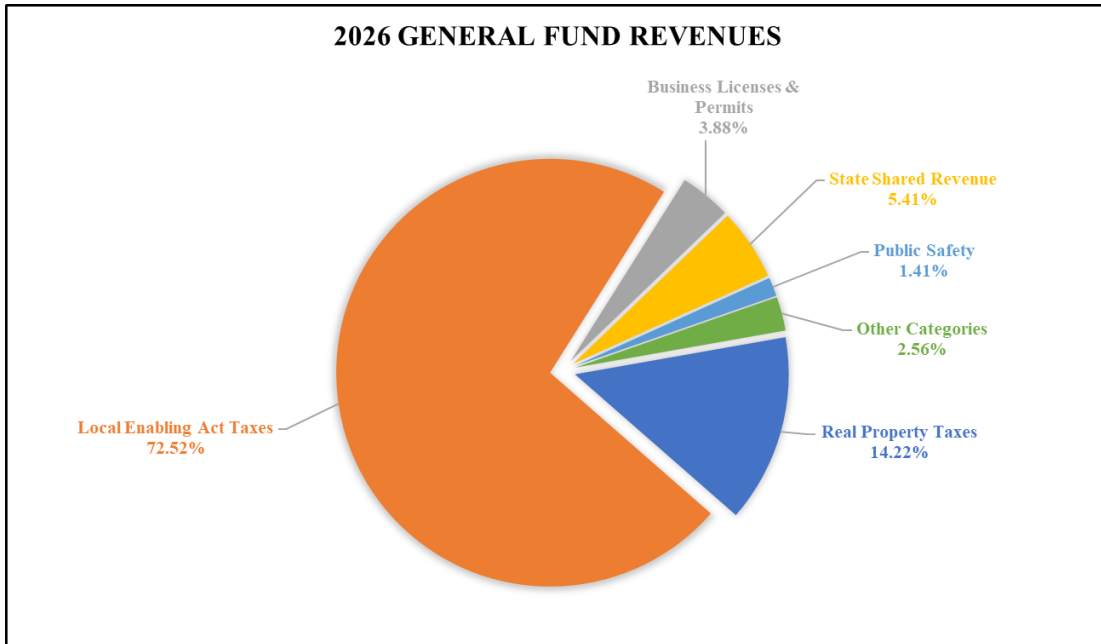
Real Estate Transfer Taxes provide another important source of revenue. These are levied at 2% on property sales, with 1% going to the County and the remaining 1% split evenly between the Township and the Boyertown School District. In 2026, approximately 238 properties are expected to change ownership, slightly fewer than the 243 properties in 2025, reflecting continued increases in home values. In 2025, transfers represented about 4.7% of the Township's total property base. The market is expected to remain strong, with transfer tax receipts projected at approximately \$363,000, a modest increase over 2025.

Permit fees are expected to decrease in 2026 to around \$83,000, as most approved developments have completed their home buildouts. Future revenue will depend on whether new land developments are approved, and if so, permit fee revenue could increase significantly over several years.

Other contributors to the General Fund include cable television franchise fees and state aid for the Township's pension plans, though earned income taxes, transfer taxes, and permit fees remain the most significant sources of revenue. The Township expects to receive roughly \$284,500 in state aid for employee pensions, covering 83% of the minimum contributions required. The non-uniformed defined benefit plan is currently 108.6% funded, while the uniformed plan is 90.6% funded, supported by positive investment returns in recent years, which help maintain the overall health of the pension funds and stabilize minimum municipal obligations.

Total General Fund revenue for 2025 is projected at \$5.17 million, exceeding the budget by \$57,000, primarily due to higher-than-expected earned income taxes and state-shared revenue. Looking ahead, total projected revenue for 2026 is estimated at \$5.27 million, representing a \$151,000 increase over the 2025 Budget. This growth largely reflects the proposed increase in Local Services Tax (LST) from \$10 to \$52, which is expected to generate approximately \$120,000, or about \$100,000 more than in 2025.

The following chart provides a breakdown of the General Fund revenue sources that support Township operations:



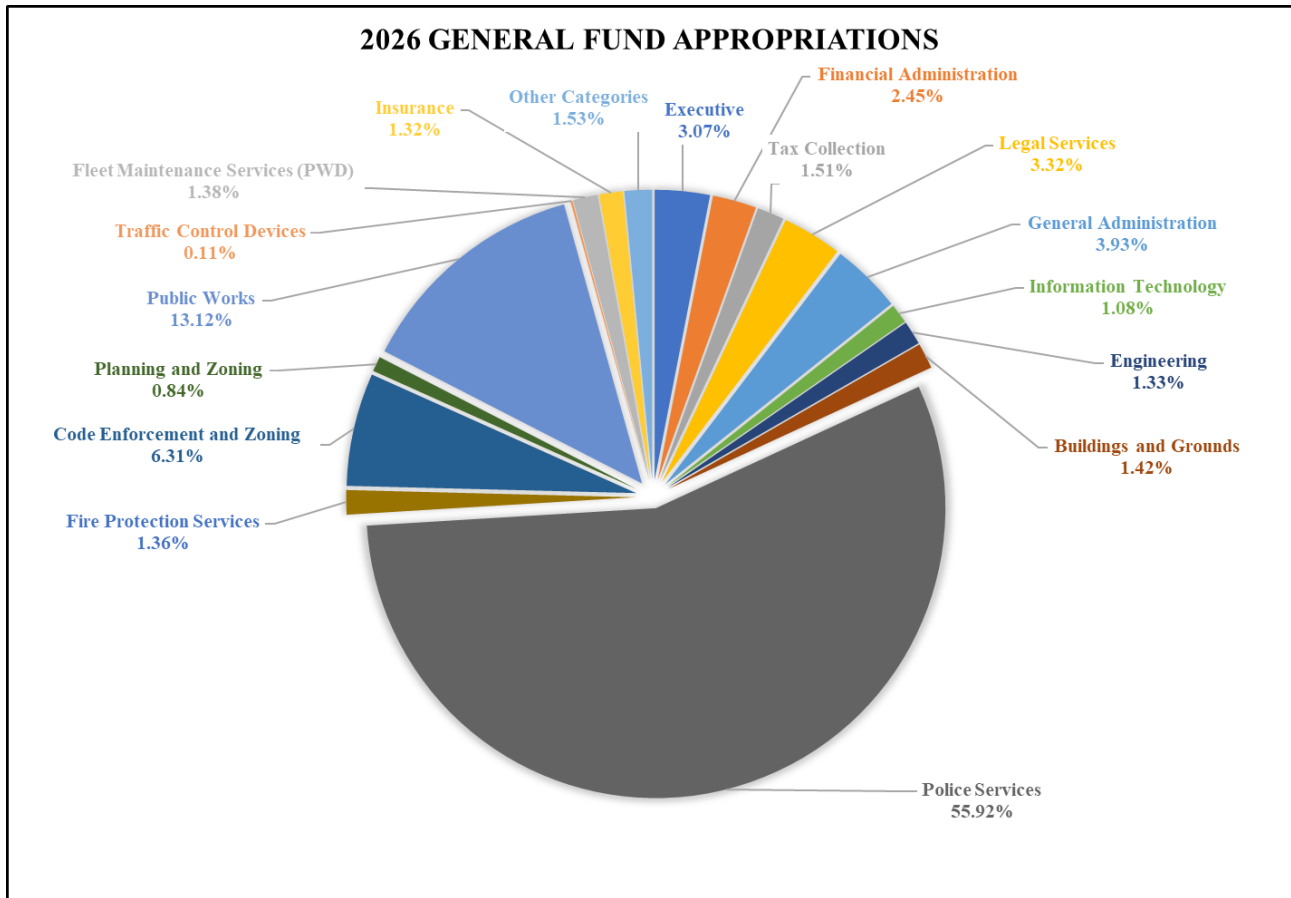
### Expenses

General Fund expenditures for 2025 are projected at \$5.91 million, approximately \$117,000 over budget. The majority of these unplanned costs came from additional legal expenses (\$82,000) and traffic control-related work (\$33,500). Offsetting these overruns were savings in public works (\$41,000) and code enforcement and zoning (\$27,000), which helped keep the overall budget under control.

The General Fund is projected to begin 2026 with a reserve balance of approximately \$1.13 million. Proposed General Fund appropriations for 2026 total \$5.26 million, reflecting a decrease of \$531,000, or roughly 9%, compared to the 2025 Budget. This reduction is largely due to the creation of dedicated millage funds for Debt Service and Emergency Medical Services, as well as the shifting of certain categories to the Liquid Fuels Fund to provide additional relief to the General Fund.

Routine annual adjustments are also included in the budget. Uniformed employees are slated for a contractual wage increase of 3.25%, while most non-uniformed employees will see an average 3% increase, with variations based on performance or promotional eligibility. Healthcare costs are projected to rise 7.5%, consistent with trends in insurance premiums.

The following chart details the proposed General Fund appropriations by category:



***Fire Protection Fund (Fund 03)***

The Fire Protection Fund serves as the primary revenue source for the operating and capital needs of firefighting services in the Township, which is provided by New Hanover Volunteer Fire and Rescue Services, a governmental component unit.

For the 2026 Budget, a modest increase in the Fire Protection Fund millage is proposed, from 0.310 mills to 0.350 mills, to help cover rising operational costs and equipment needs. This increase is projected to generate approximately \$273,000 in 2026. For context, the maximum allowable tax levy for this fund is three mills. In addition to Township support, the Fire Company receives state-shared revenue from foreign fire insurers, which is typically allocated to personnel relief or pension funds. At least 30% of the Fire Company’s total revenue is set aside for a capital improvement fund, which is used for apparatus and equipment purchases.

New Hanover Volunteer Fire & Rescue, an all-volunteer organization, operates from two fire stations strategically located to optimize response times for providing their services. The North Station (sub-station) which was built in 2019 after being relocated from the Sassamansville Fire Social Club building, has received official ISO (Insurance Service Organization) recognition recently that has improved New Hanover Township’s overall ISO grading to a Four (4).

The Fire Company currently has 39 active members, who maintain high training standards. About 75% have earned nationally recognized Firefighter 1 Pro Board certification, and over 30% have achieved Firefighter 2 certification, collectively completing over 200 hours of formal training. Members also complete federally mandated Hazardous Materials Operations training. The Department is supported by 18 administrative volunteers and operates a Cadet/Junior program, preparing local youth to transition into full volunteer firefighter roles when they reach age 18.

### ***Open Space Fund (Fund 04)***

The Township levies a 0.15% earned income tax, projected to generate approximately \$1,030,000 in 2026. This tax was initially established in 2006 through a resolution to support the conservation of open space and manage growth and development. The tax was later solidified via referendum to finance the purchase of open space and development rights. *More recently, under the amendment Act 115 of 2013, the statute was updated so that voter-approved open space taxes may also be used to develop, improve, design, engineer, and maintain open space property – not solely to acquire land. This change allows the Township to use these funds for trail systems, passive recreation areas, and related improvements, expanding its ability to invest in community amenities beyond traditional open space acquisitions.*

For 2026, appropriations totaling approximately \$1.7 million will focus on land preservation, passive recreation, and trail development:

- **342 Moyer Road Meadows and Trail Project:** Design costs for an integrated meadows and trail system. *The Township applied for \$250,000 through the DCED Greenways, Trails & Recreation Program, with award announcements expected in early 2026. The appropriation in the 2026 Budget reflects the full cost if no grant funding is secured.*
  
- **Wassmer Tract Trail Project (Phase 1):** Funding for permitting and construction of the first phase of the project. *To date, the Township has applied for \$500,000 in grant funding: \$250,000 through the Montco 2040 Implementation Grant Program (awarded) and \$250,000 through the Department of Conservation & Natural Resources (DCNR) (award announcements expected this fall). The appropriation in the 2026 Budget reflects the full cost if no further grant funding is secured.*

*In accordance with Section 7.1(4)(i) of the Open Space Act (Act 442 of 1967, as amended), the Township may allocate up to 25% of the accumulated balance toward open space improvements. Using the most recently audited year (2024) as the basis, this equates to \$947,713 available for allocation in 2026. These funds will be prioritized for the Wassmer Tract Trail Project and, if additional grant awards are secured, may be redirected to support the Moyer Road project.*

Also, to date, the Township has permanently preserved 1,599 acres of open space, established 2,081 acres within the Agricultural Security Area (providing tax deferral for undeveloped farmland), and secured conservation easements on 82.10 acres.

### ***Emergency Medical Services Fund (Fund 06)***

The Emergency Medical Services (EMS) Fund is a new, dedicated fund proposed for 2026 to provide stable, long-term funding for emergency medical services within the Township. Previously, payments to EMS providers were made by the General Fund, which limited flexibility and reduced reserves available for other Township operations.

The proposed fund is supported by 0.135 mills, which is projected to generate approximately \$104,000 in 2026. This amount will continue to support the Township's four primary ambulance companies, ensuring dependable emergency medical coverage for residents.

The EMS Fund complements other funding mechanisms, such as the Fire Protection Fund and Local Services Tax, to help distribute the cost of essential public safety services more equitably among property owners and those who work in and benefit from services within the Township.

### ***Sewer Operating Fund (Fund 08)***

The Sewer Operating Fund functions as an enterprise fund under a lease agreement between the Township and the New Hanover Township Authority. While the Authority Board sets sewer rates, the Board of Supervisors approves the budget, and the Township Manager oversees the Authority's employees.

The Fund is projected to start 2026 with a balance of approximately \$751,000. Most of the revenue comes from sewer rental billings (EDUs), which are expected to generate at least \$2.16 million in 2026. Estimated expenditures for 2025 are \$2.20 million, about \$61,000 under budget.

Proposed appropriations for 2026 total \$2.25 million, prior to interfund transfers, representing a modest \$15,000 decrease from 2025. An additional \$375,000 is allocated for transfers to the Sewer Capital Fund to support ongoing infrastructure improvements.

It's important to note that the Fund's projected ending balance for 2026 is 15.64%, slightly below the GFOA-recommended 16–25% range. This is not a structural deficit; rather, it reflects the ongoing debt service of roughly \$600,000 annually for the next three years, with a final payment of \$280,000 in 2029. Meeting these obligations while continuing to fund the Sewer Capital Fund creates a temporary cash flow challenge that will be resolved once the debt is retired.

To proactively manage this, the 2026 budget includes funds for an EDU rate study to evaluate a sustainable, long-term funding solution, as well as consideration of a potential bond or bank loan to support necessary capital improvements.

### ***Sewer Capital Fund (Fund 10)***

The Sewer Capital Fund is dedicated to capital equipment purchases and infrastructure improvements. A 10-year Capital Improvement Plan (Schedule H) is updated annually to guide long-term planning and ensure the Fund meets operational and regulatory needs.

Revenue for 2026 is projected at \$390,000, including \$15,000 in interest earnings and a \$375,000 interfund transfer from the Sewer Operating Fund.

Proposed capital expenditures for 2026 total \$670,000, and specifically include:

- **Building Painting Project (Year 2 of 4):** Paint the top floor walls and apply epoxy coating to the floors; basement walls will be painted, but floors will remain concrete due to water exposure.
- **Swamp Creek Pump Station Bypass Connection:** Complete a bypass to prevent system backups during planned or unplanned pump outages. The bypass allows continuous flow, protecting public health and the environment by preventing untreated wastewater spills and contamination of nearby land or water. This ensures crews can safely perform maintenance or repairs without shutting down the entire system. *(The Authority submitted a Local Share Account grant application in 2024, with award announcements expected this fall. If approved, the grant would cover this project, removing the need for funding from the Capital Reserve Fund.)*
- **Shop Jib Crane:** Purchase a crane to improve material handling in confined areas. This allows workers to lift and move heavy items safely and efficiently without relying on a forklift, particularly in tight spaces.

Looking ahead, the Fund faces approximately \$4 million in capital needs over the next four years, a figure that will grow over time. This makes a discussion of debt financing or alternative long-term funding strategies necessary to maintain the system while avoiding strain on operating reserves.

### ***Transportation Impact Fund (Fund 13)***

Established in 2005, the Transportation Impact Fund finances transportation improvements necessitated by new development. Revenue is derived from impact fees assessed within designated transportation service areas. The Fund is projected to begin 2026 with a balance of approximately \$1.99 million.

Projected revenue for 2026 totals \$40,000, with proposed appropriations of \$100,000 dedicated to design and grant-writing services for a long-term traffic improvement initiative expected to span at least four years. Planned improvements include installing separate left-turn lanes with a minimum of 75 feet of storage in both directions along Swamp Pike at New Hanover Square Road, constructing an eastbound left-turn lane at Wagner Road aligned with the existing westbound lane, and restriping the Swamp Pike Bridge to accommodate the new lanes and 5-foot-wide pedestrian-accessible shoulders.

### ***Road Equipment Capital Fund (Fund 19)***

The Road Equipment Capital Fund provides for the replacement and acquisition of vehicles and equipment used by the Public Works Department. This dedicated fund ensures that essential equipment is replaced on a planned cycle, supporting safe and efficient operations. A 0.140-mill tax levy is proposed to generate approximately \$121,500 in 2026. The maximum allowable levy under the Second Class Township Code is two mills.

Planned investments for 2026 total \$137,000 and are focused on improving operational efficiency and reducing long-term maintenance costs:

- **Pickup Truck Replacement:** Replace the current 16-year-old truck, which serves as the roadside spraying vehicle and is used for service and snowplowing. The existing truck has rust issues on the body and frame and is experiencing wiring problems.
- **Large Equipment Trailer Replacement:** Acquire a new trailer with increased capacity and a steeper incline to improve safety when loading and unloading equipment. The current 12-year-old trailer has brake issues and challenges safely handling larger equipment.

### *Debt Service Fund (Fund 23)*

The Debt Service Fund is a new, dedicated fund established to cover the remaining eight years of debt payments for the Municipal Building and Police Department Renovation Project. Once the loan is fully repaid, the Fund will sunset, giving a future Board the flexibility to reallocate the millage to other priorities, invest in capital improvements, or provide direct tax relief to residents.

*Historically, the General Fund financed a substantial portion of this project, including a \$2.2 million down payment and the first four years of debt service. Using General Fund reserves early in the project also helped secure a favorable interest rate, resulting in significant long-term savings for taxpayers.*

The Debt Service Fund is supported by a 0.430-mill real estate tax, projected to generate approximately \$331,000 in 2026. The total debt payment due in 2026, including principal and interest, is \$321,500.

### *Capital Reserve Fund (Fund 30)*

The Capital Reserve Fund is used to finance general capital equipment purchases and infrastructure improvements, guided by the Township's 10-year Capital Improvement Plan (Schedule H). Revenue is derived primarily from investment earnings, grants, and interfund transfers; however, no transfer from the General Fund is planned for 2026.

Total revenue for 2026 is projected at approximately \$20,000, with proposed appropriations of \$390,000 for the following key projects:

- **Deep Creek Road Culvert:** Construction and inspection costs to replace the culvert between Erb Road and Schenkler Road.
- **Municipal Building Storage:** Installation of a high-density shelving system for zoning and building files. This expands storage for parcel files and allows the Township to sell outdated file cabinets currently taking up office space.
- **Conceptual Basin Retrofit Program:** Seed funding to help homeowners retrofit their basins to meet current stormwater management standards.
- **Police Department Fleet Vehicle:** One replacement vehicle. *(The Township submitted a Local Share Account grant application in 2024 for three police vehicles; award announcements are expected this fall. If approved, the grant would cover these vehicle*

*purchases, removing the need for funding from the Capital Reserve Fund in 2026, 2027, and 2028.)*

### ***Recreation Capital Reserve Fund (Fund 31)***

The Recreation Capital Reserve Fund is designated for the maintenance, enhancement, and long-term sustainability of park and recreation facilities. Primary revenue sources include investment earnings, grants, and interfund transfers, with no transfers proposed in 2026.

For 2026, total revenue is projected at \$5,500, with planned capital expenditures of \$110,000 focused on upgrades to key recreational assets:

- **Swamp Creek Park:** Install a new 3-bay swing set, add a pavilion with picnic tables, and place additional benches throughout the park.
- **Community Park:** Add a 2–5 age group play set and musical equipment and replace an existing climber with a tilted rock climber.

*The Township submitted a Pottstown Regional Community Foundation grant application in 2025, with award announcements expected next spring. If approved, the grant would cover approximately half the cost of these projects.*

### ***Liquid Fuels Fund (Fund 35)***

The Liquid Fuels Fund provides the Township’s share of state motor fuel tax dollars, which are allocated for the maintenance of local roads. Pennsylvania generates these funds through a motor fuel tax, with municipalities receiving about 12% of the total collected; the remainder is used by PennDOT for state road maintenance.

The Township’s share is determined by a formula based on population and the mileage of qualifying roads. Newly dedicated roads that meet specific design standards increase the Township's allocation when submitted to PennDOT.

In 2025, the Township received approximately \$437,500, an increase of nearly \$5,500 from the previous year. Additionally, the Township received \$64,680 through the road turnback program, which transferred ownership of certain state-owned roads important to local traffic to the Township. *Expenditures from the Liquid Fuels Fund are strictly regulated by the state and can only be used for road maintenance expenses, such as snow removal, road striping, guiderail installation, street light electricity, and the purchase of salt and paving materials. The Fund is audited every three years to ensure compliance with these regulations.*

The Township is responsible for maintaining at least 80 miles of roads, and roads typically have a 20-year life cycle. To stay on track, the Township aims to maintain at least four miles of road annually. The 2026 Road Maintenance Program will resurface or treat 2.75 miles of Township roads. Since 2016, nearly 80 miles of roads have been paved, effectively completing the system ahead of the standard life cycle.

Because the Township has made significant progress in addressing deferred road maintenance, the 2026 Budget includes select line items in the Liquid Fuels Fund, previously in the General Fund, to provide relief for the General Fund. This approach is fiscally prudent given the current state of the road system and ensures that the General Fund can focus on other priorities without compromising road maintenance.

Projected revenue for 2026 is \$496,500, with appropriations estimated at \$703,000.

### ***Recreation Fund (Fund 96)***

The Recreation Fund supports the operation of recreational programs and the management of 302 acres of parks and related facilities. It is currently funded through a dedicated tax levy of 0.180 mills, which is proposed to be reduced to 0.140 mills for 2026. This reduction is not expected to impact operating costs or the level of services provided. The proposed millage is projected to generate approximately \$109,500 in 2026.

The fund covers park maintenance and program operations, including summer camps, the Hickory Park Pool, lifeguards, a pool manager, and a Recreation Coordinator who oversees community events and activities. Total projected revenue for the fund is \$185,000, with appropriations estimated at \$181,500. These investments ensure that residents continue to enjoy safe, well-maintained parks and engaging recreational opportunities throughout the year.

### ***Pension Funds (Internal Fund 60 and Fund 65)***

The Police and Municipal Employees Pension Funds are trust funds that provide monthly defined-benefit pensions for retired employees. Each plan is governed by an ordinance adopted by the Board of Supervisors, with oversight from two Pension Plan Advisory Committees. These committees meet quarterly with the Township's Investment Advisor to review performance and recommend investment strategy adjustments as needed.

The Pension Funds are diversified into bonds and equities, with asset allocations guided by an Investment Policy Statement approved by the Board. Annual contributions, known as the Minimum Municipal Obligation (MMO), are calculated by the Township's actuary to ensure adequate funding for future retirement benefits.

In addition to these defined-benefit plans, the Township implemented a defined-contribution plan for non-uniformed employees hired after June 1, 2016. The Township contributes 5% of the employee's compensation annually into the self-directed plan.

The Commonwealth supports pension funding by levying a 2% tax on foreign casualty insurance premiums. In 2026, the Township's required contribution to keep the pension plans actuarially sound is estimated at \$341,835, with an expected \$284,500 in state aid to offset this amount.

As of the last actuarial valuation on January 1, 2025, the Police Pension Plan was 90.6.9% funded, while the Non-Uniformed Employees' Pension Plan was 108.6% funded. The combined ratio of 96.0% indicates that the Township is considered "not distressed" under Act 44 guidelines.

## *Future Trends and Outlook*

The 2026 Budget continues our commitment to transparent and strategic fiscal planning, clearly showing how taxpayer dollars are allocated across Township services. Over the past decade, we have built a framework that balances quality service delivery with long-term financial sustainability. This budget reflects both the successes of that framework and our ongoing focus on efficiency, accountability, and investments that support the community's growth and well-being.

Although 2026 will be the first year in 20 years with a real estate tax increase, this adjustment is a strategic step to stabilize Township finances and ensure the long-term sustainability of essential services, including public safety, infrastructure, and emergency medical services. Specifically, the Government Finance Officers Association (GFOA) recommends that general-purpose governments maintain an unrestricted budgetary fund balance of no less than two months' worth of operating revenues or expenditures (16.6%). By the end of 2026, our General Fund is projected to have approximately 21.6% in reserves – equivalent to about two and a half months of operating expenditures. Without these planned adjustments, the reserve would drop to roughly 11.1%, which could necessitate significant reductions to personnel or services as early as 2027.

While key revenue sources began leveling off in 2023 as current developments reached completion, 2026 is expected to follow a similar trend. Future decisions on new development, however, could shift this outlook. With steady growth in real estate and earned income taxes, the Township is well-positioned to maintain its high level of services. Coupled with previous investments in capital projects and a 10-year Capital Improvement Plan, this provides a strong foundation for strategic planning and adjusting appropriations to match available resources.

Balancing the need for municipal investment with the goal of maintaining reasonable taxes is always a priority – and often a challenge – especially as the Township grows and invests in infrastructure. Despite these pressures, Township staff remain focused on cost reduction, efficient resource allocation, and maintaining service excellence. Our employees are professional, courteous, and deeply committed to serving the public. Cooperation across departments is strong, morale is high, and everyone understands that our mission is to serve the community effectively.

We are confident that Township residents continue to value the services we provide. The proposed 2026 Budget reflects our commitment to prudent financial management in support of public health, safety, and welfare. It maintains a high standard of municipal services while streamlining operations to enhance efficiency and provides the resources necessary to achieve the Board of Supervisors' priorities.

It is my pleasure to present the proposed 2026 Budget for your consideration, which I believe accurately reflects our commitment to delivering top-quality services to the community.

Respectfully submitted,

  
Jamie L. Gwynn  
Township Manager